TRADING FUNDAMENTALS

TRADING PSYCHOLOGY

How to Master Your Emotions and Think Like a Professional

Discipline • Emotional Control • Winner's Mindset

Igor Arapov

arapov.trade

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Trading Psychology

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Trading Fundamentals Series — Book 3

About the Author

Hi! I'm Igor Arapov, a trader since 2013.

Over 12 years, I've made every possible mistake and learned how to deal with them. This book is a distillation of everything I've learned about trading psychology.

At arapov.trade, I've compiled 150+ articles and 70 video lessons. You'll also find my YouTube channel @ArapovTrade there.

> *"A trader's main opponent is not the market—it's themselves"*

Contents

Chapter 1. Introduction: Why Psychology Matters More Than Strategy

Chapter 2. The Trader's Main Enemies

Chapter 3. Emotional Traps

Chapter 4. Discipline and the Trading Plan

Chapter 5. Managing Your State

Chapter 6. Accepting Losses

Chapter 7. The Psychology of Big Money

Chapter 8. Common Psychological Mistakes

Chapter 9. Developing a Professional Mindset

Chapter 10. Practical Tips from 12 Years of Experience

Conclusion

Chapter 1. Introduction: Why Psychology Matters More Than Strategy

> *Trading is 10% strategy and 90% psychology. You can have the best trading system in the world, but without the right mindset, it's worthless.*

Dear reader! If you're holding this book, chances are you've already encountered trading's central paradox: **knowing what to do and actually doing it are entirely different things**.

You've studied technical analysis. You know where to place your stop-loss. You understand that you shouldn't risk more than 2% per trade. You've read about the importance of a trading plan. And yet—time after time, you break your own rules.

You move your stop hoping the price will reverse. You enter trades without a signal because "it feels like it will go." You increase your position after a loss to "win it back." You close profitable trades too early because you're afraid of losing what you've gained.

If this sounds like you—welcome. You're not alone. Every trader goes through this without exception.

My Journey Through Psychological Traps

When I started trading in 2013, I was convinced that success depended on finding the right strategy. I spent months studying indicators, patterns, and trading systems. I was searching for that elusive "Holy Grail" that would make me rich.

I had strategies. Some of them were even profitable—on paper. But when it came to actual trading with real money, everything fell apart. I couldn't follow my own rules.

After yet another account blow-up, I finally understood: **the problem wasn't the strategy. The problem was me**. My psychology. My emotions, which I couldn't control.

This realization was a turning point. I began studying trading psychology as seriously as I had studied technical analysis. And the results weren't long in coming.

Why Smart People Lose Money

Trading attracts smart, educated, ambitious people. Many of them are successful in other areas—business, science, professional careers. But in the market, their intellect often works against them.

The thing is, the market is designed to exploit basic human instincts. **Fear and greed**—the two main drivers of market movements—are deeply embedded in our psyche. They're evolutionary inheritances that helped our ancestors survive but interfere with trading in financial markets.

Fear of loss activates the same brain regions as physical threats. The

body shifts into "fight or flight" mode. Rational thinking shuts down. Decisions are made on emotion.

Greed promises quick rewards and makes us ignore risks. The brain's dopamine system, designed for finding food and mates, now responds to flashing numbers on a screen.

> This is why intellect alone doesn't guarantee trading success. You need to learn to manage your psychology.

What You'll Find in This Book

This book is a practical guide to trading psychology. I won't burden you with academic theories. Instead, we'll examine specific psychological traps and ways to overcome them.

You'll learn about the trader's main enemies—fear, greed, hope, and the desire to revenge trade. We'll explore emotional traps: euphoria, despair, boredom, and FOMO. We'll discuss discipline and trading plans. We'll talk about managing your state and accepting losses.

Separate chapters are dedicated to the psychology of big money and developing a professional mindset. At the end, I'll share tips earned through 12 years of trading.

> *Ready? Then let's begin.*

Chapter 2. The Trader's Main Enemies

> *Every trader has four main enemies: fear, greed, hope, and revenge. They live inside us, waiting for the moment to strike. Knowing your enemy is the first step to defeating them.*

Fear

Fear is humanity's oldest survival mechanism. It protected our ancestors from predators and enemies. But in financial markets, fear usually works against us.

Fear of loss—the most common type of fear among traders. It makes you:

- Not enter a trade even when there's a clear signal
- Close positions prematurely at the first pullback
- Set stops too tight, getting stopped out by market noise
- Reduce position size to the point where profits become insignificant

Fear of missing out (FOMO) pushes you to enter trades without signals, buying at the highs. More on this trap in Chapter 3.

Fear of losing profits makes you close winning trades too early. You see

a positive balance and want to lock it in, not letting profits grow.

> **How to combat fear:** Recognize that losses are an integral part of trading. No system has 100% winning trades. Fear disappears when you accept the risk in advance.

Greed

Greed is the flip side of fear. While fear makes you avoid risk, greed pushes you toward excessive risk in pursuit of windfall profits.

Manifestations of greed:

- Overtrading—too many trades (see Chapter 8)
- Oversized risks—betting too large a portion of your account
- Refusing to take profits—"I want even more"
- Using excessive leverage

Greed is especially dangerous after a winning streak. You feel invincible, start increasing risks—and one bad trade wipes out a week's or month's worth of profits.

> **How to combat greed:** Establish clear risk management rules and never break them under any circumstances. Your goal isn't to get rich in one day, but to earn consistently over many years.

Hope

Hope seems like a positive emotion, but in trading it's deadly. Hope makes you ignore reality and believe in miracles.

Typical manifestations of hope:

- Holding a losing position hoping for a reversal
- Moving your stop-loss further away (see Chapter 8)
- Averaging down on a losing position (see Chapter 8)
- Refusing to admit a mistake

"It'll turn around soon," "I'll just hold a bit longer," "the market can't fall forever"—this is the voice of hope. While you're hoping, the loss keeps growing. A small, manageable loss turns into a catastrophe.

> **How to combat hope:** Adopt an iron rule—if your stop is hit, the trade is closed. No moving it, no "I'll wait a bit longer." A stop-loss isn't a suggestion—it's an order.

Revenge Trading (Tilt)

Tilt is a state where emotions completely override reason. It usually occurs after a series of losses or one large loss. The trader feels the market is "unfair" to them and wants to "get revenge"—to recover losses at any cost.

Signs of tilt:

- Increasing position size after a loss
- Trading without a system, purely on emotion

- Opening trades one after another without analysis
- Feeling like "the market is against me personally"
- Inability to stop

Tilt is a direct path to blowing your account. In this state, a trader can destroy months of work in just a few hours.

> **How to combat tilt:** The only remedy is to immediately stop trading. Turn off your terminal. Go for a walk. Don't return to trading until you've restored emotional equilibrium. Set a rule: after two or three consecutive losing trades—take a break until the next day.

Chapter 3. Emotional Traps

> *The market is a perfect machine for exploiting human emotions. It makes you buy when you should sell and sell when you should buy. Understanding emotional traps is the key to overcoming them.*

Euphoria After Winning Trades

Euphoria is a state of heightened excitement after success. After a winning streak or one big win, the trader feels like a genius. They believe they've "figured out the market," "caught the wave," "from now on everything will only go up."

The danger of euphoria:

- Overestimating your abilities
- Increasing risks ("I'm going to win anyway")
- Neglecting analysis ("why bother, it's working")
- Violating the trading plan

The irony is that the biggest losses often follow the biggest wins. Euphoria dulls vigilance, and the market punishes overconfidence.

> **How to combat it:** After a successful streak, take a break. Remind

yourself that one profitable week doesn't make you a genius. Don't increase risks after profits.

Despair After a Losing Streak

Despair is the opposite of euphoria. After a series of losses, the trader loses faith in themselves and their system. They feel that "nothing works," "the market is unpredictable," "I'm a failure."

The danger of despair:

- Abandoning a working strategy at the worst moment
- Constantly switching trading systems
- Reducing positions to meaningless sizes
- Completely giving up on trading

The paradox is that losing streaks are a normal part of any trading system. Even a strategy with 60% winning trades will periodically produce 5-6 losses in a row. That's statistics, not a sign that the system is broken.

> **How to combat it:** Keep statistics on your trades. When you see that over the long run the system is profitable, it's easier to weather temporary drawdowns.

Boredom and Impulsive Entries

Boredom is an underestimated enemy of traders. Professional trading is

90% waiting. Waiting for signals, waiting for confirmation, waiting to reach targets. But the human brain isn't built for prolonged waiting. It needs action.

How boredom kills accounts:

- Entering trades without signals, just to "do something"
- Trading in unsuitable market conditions (sideways, holidays)
- Lowering signal requirements ("it's almost a setup")
- Trading on lower timeframes where there's more "action"

> **How to combat it:** Accept that not trading is also work. Having no position is a position. Set a rule: no clear signal—no trade.

FOMO—Fear of Missing the Move

FOMO (Fear Of Missing Out) is a form of fear that deserves separate attention. You watch an asset rise without you. You didn't enter because there was no signal. But the price keeps rising. "I should have entered!" The inner voice whispers: "It's not too late, jump in!"

Why FOMO is so destructive:

- You buy at the worst price—at the highs
- You enter without a plan—unclear where your stop and target are
- You enter on emotion, not analysis
- Often the move ends right when you enter

The market has existed for thousands of years and will exist after you. A

missed opportunity isn't a tragedy. There will be new opportunities.

> **How to combat FOMO:** Remind yourself—the market isn't going anywhere. It's better to miss a move than to enter without a plan.

Confirmation Bias

Confirmation bias is the tendency to seek information that confirms a decision already made while ignoring contradictory information.

You've decided the market is going up. Now you only see bullish signals. You "don't notice" bearish signals or find explanations for them. You seek out analysts who agree with you and ignore those who say otherwise.

> **How to combat it:** Before every trade, deliberately look for arguments against it. Make a list of reasons why the trade might not work. If the arguments against are stronger—don't enter.

Chapter 4. Discipline and the Trading Plan

> *Discipline is the bridge between goals and their achievement. Without discipline, even the best strategy is useless. With discipline, even an average strategy becomes profitable.*

Why You Need a Trading Plan

A **trading plan** is a set of rules that define all aspects of your trading: when to enter, when to exit, what size to trade, when not to trade at all.

Why a plan is essential:

- It removes emotions from decision-making
- It creates repeatability—you can analyze and improve
- It protects against impulsive actions
- It gives confidence in your actions

Without a plan, every trade is a new decision made under market pressure. With a plan, it's execution of a pre-thought-out algorithm.

Elements of a Trading Plan

1. Markets and instruments. Define which markets you trade. Forex? Crypto? Stocks? Which specific instruments? Specialization is the key to mastery.

2. Timeframes. On what time intervals do you look for signals? Which timeframe do you use for entries? For determining the trend?

3. Entry conditions. What specific conditions must be met to open a trade? This should be a concrete checklist.

4. Position management. Where is the stop-loss placed? Where do you take profit? Under what conditions do you move the stop to breakeven?

5. Risk management. What percentage of your account do you risk per trade? Maximum daily loss?

6. Conditions for not trading. When do you not trade? During news? After a losing streak?

How to Follow Rules When It's Hard

Visualize consequences. Before breaking a rule, vividly imagine what will happen if you're wrong. Picture the loss, the emotions, the consequences.

The 10-minute rule. If you want to break your plan—wait 10 minutes. Often the impulse passes in that time.

Physical action. Get up from the computer. Do 20 squats. Physical activity redirects attention.

Ask yourself. Ask: "What would a professional do in my place?" A professional follows the plan. Always.

Keeping a Trading Journal

A trading journal is the tool that separates amateurs from professionals. It's not just a record of trades—it's a tool for self-analysis.

What to record:

- Date, time, and instrument
- Direction (long/short)
- Reason for entry (what signal)
- Entry point, stop, target
- Trade result
- Emotional state
- Plan adherence (yes/no)
- Conclusions and lessons

> *Regularly analyze your journal. Look for patterns: when do you trade better, when worse, which mistakes repeat. This is a gold mine for improvement.*

Chapter 5. Managing Your State

> *Your physical and emotional state directly affects the quality of your trading decisions. A tired, hungry, or upset trader is easy prey for the market. A professional only trades when in optimal condition.*

When Not to Trade

One of the key skills of a professional trader is knowing when **not to trade**.

Don't trade when you're tired. Fatigue reduces cognitive abilities and worsens decision-making.

Don't trade in a bad mood. An argument with loved ones, problems at work—all of this affects your trading.

Don't trade in a state of euphoria. After a big win, you tend to overestimate your abilities.

Don't trade under the influence of alcohol. Even small amounts reduce critical thinking.

Don't trade when distracted. Trading requires full attention.

Physical State and Trading

Sleep. Sleep deprivation is trader enemy number one. Get 7-8 hours of sleep. This isn't a luxury—it's a necessity.

Nutrition. A hungry brain works worse. Eat regularly, in small portions. Avoid sugar.

Physical activity. Regular exercise improves brain function and reduces stress.

Water. Even mild dehydration reduces cognitive function.

Breaks. Take breaks every hour. The brain cannot concentrate for more than 90 minutes at a time.

Rituals and Routines

Morning ritual. Start each day the same way: wake up, breakfast, physical activity, market review.

Pre-trading ritual. Check the economic calendar, review key levels, identify potential setups.

Post-trading ritual. Fill in your journal, analyze trades, note lessons learned.

Post-loss ritual. Stand up, drink water, record the trade, take 5 deep breaths.

Stress Management Techniques

Breathing techniques. Inhale for 4 counts, hold for 4 counts, exhale for 4 counts. Repeat 5-10 times.

Meditation. Even 10 minutes a day increases emotional resilience.

Physical release. After a tough day—a walk, a run, a workout.

Journaling. Writing down thoughts helps to recognize and process them.

Chapter 6. Accepting Losses

> *A loss is not the enemy. A loss is the price of admission for the opportunity to profit. A professional doesn't fear losses or try to avoid them at all costs. They manage them.*

Losses as Part of the System

There is no trading system with 100% winning trades. Any working strategy includes losing trades as an integral part.

Think of a casino. The casino doesn't win every bet. But over the long run, it's always profitable thanks to its mathematical edge. A trading system works the same way.

If your system gives 60% winning trades with an average risk/reward ratio of 1:1.5, you'll make money. But 40% of your trades will be losers. **This is normal. This is statistics.**

The Mathematics of Probability

Understanding the math helps you accept losses emotionally.

A system with 60% winning trades—probability of losing streaks:

- 2 losses in a row: 16% (once every 6 series)
- 3 losses in a row: 6.4% (once every 15 series)
- 4 losses in a row: 2.5% (once every 40 series)
- 5 losses in a row: 1% (once every 100 series)

> This means a streak of 4-5 losses in a row will happen. Not "if" but "when." This isn't a system failure—it's normal statistical distribution.

Separating Self-Worth from Results

One of the main traps is tying self-worth to trading results. Profit—"I'm great." Loss—"I'm a failure."

This is dangerous:

- The result of a single trade doesn't reflect the quality of analysis
- The market contains an element of randomness
- Emotional swings are exhausting

The right approach: Evaluate the process, not the result. Ask yourself not "Did I make or lose money?" but "Did I follow my system?"

The Technique of Pre-Accepting Loss

The most effective way to handle a loss is to **accept it before it happens**.

Before every trade:

1. Define your entry point, stop-loss, and target
2. Calculate position size
3. Mentally accept the loss as an accomplished fact
4. Ask: "Will I be able to continue trading without breaking down?"
5. If "yes"—enter. If "no"—reduce position size

> **Rule:** Treat your stop-loss as an order. If the stop is hit—the trade is closed. No "I'll wait a bit longer."

Chapter 7. The Psychology of Big Money

> *Trading on a demo account versus real money are different things. Trading with $1,000 versus $100,000 is even more different. As capital grows, it's not just position sizes that change—psychology changes too.*

How Behavior Changes as Your Account Grows

The scaling problem. When you risk 1% of $1,000—that's $10. Of $100,000—that's $1,000. Same trade, same percentage, but the emotional load is completely different.

The "real money" effect. With a large account, every price movement is real money. "I just lost a month's salary"—this thought changes everything.

Fear of Losing What You've Earned

Symptoms:

- Closing profitable trades too early

- Refusing to enter despite a clear signal
- Reducing position size to ineffective levels
- Constant anxiety about account balance

> **Solution:** Regularly withdraw part of your profits. Trade with money you're prepared to lose.

Scaling Without Stress

Gradual increases. Don't jump from $1,000 to $100,000 in one day. Increase by 20-30% at a time.

Think in percentages. Train yourself to evaluate results in percentages, not dollars.

Regular withdrawals. Withdraw part of your profits—this reduces stress and gives a sense of earning.

Capital splitting. 70%—conservative account, 30%—aggressive trading.

Impostor Syndrome

Many successful traders feel their success is accidental and will soon collapse.

Manifestations:

- "I just got lucky"
- "The market will soon show I don't understand anything"

- "Others are much better than me"

> **How to cope:** Keep detailed statistics. Luck doesn't work over 500 trades. If you're profitable—it's the result of your work.

Chapter 8. Common Psychological Mistakes

> *Over years of trading, I've made every possible mistake—and paid for each one with real money. My goal is to help you recognize these mistakes and avoid at least some of them.*

Averaging Down on Losing Positions

Averaging means adding to a losing position to improve the average entry price. This is one of the most dangerous mistakes, born from hope.

You bought at 100, price dropped to 90—you buy more. Average is 95. Price falls to 80—you buy more. Average is 88. Price falls to 70...

> **Rule:** Never add to a losing position. If the trade is going against you—your analysis was wrong.

Moving Your Stop-Loss

You opened a trade with a stop at 95. Price approaches the stop. And you move it to 90. "I'll give it more room." Price falls—you move it to 85...

Until the stop is hit, the loss seems "not real." But you're increasing your actual loss.

> **Rule:** A stop-loss can only be moved in the direction of reducing risk. Moving it further from your entry price is categorically forbidden.

Taking Profits Too Early

You opened a trade with a target of 120. Price reached 108—you closed. "A bird in the hand is worth two in the bush." An hour later, price is at 125.

Winning trades must compensate for losing ones. If you cut profits but don't cut losses—the math works against you.

> **Solution:** Define your target before entry and stick to it. Use a trailing stop.

Trading Without Stops

Some trade without stop-losses: "Stops always get hit anyway" or "I'll close manually."

Why this is deadly:

- The market can move sharply—gaps, news
- You're not always at your computer

- At the critical moment, emotions will prevent you from closing

> **Rule:** Every trade must have a stop-loss. No exceptions.

Overtrading

Overtrading means too many trades. It's a manifestation of greed, boredom, or addiction to the process.

Signs:

- Trading every day regardless of signals
- Lowering signal requirements
- Discomfort when not in a position
- Commissions eating into profits

> **Solution:** Set a daily trade limit. Only trade ideal setups. Not trading is also a position.

Chapter 9. Developing a Professional Mindset

> *A professional differs from an amateur not in the number of winning trades, but in their way of thinking. A professional thinks in systems, probabilities, and long time horizons.*

Long-Term Thinking

An amateur evaluates each trade as a separate event. A professional views trading as a series of hundreds of trades.

The practical shift:

- Stop celebrating every winning trade
- Stop mourning every losing trade
- Evaluate results over 20-50 trades
- Think of trading as a business

Focus on Process

You don't control the result of any single trade. What you do control is the quality of analysis, adherence to the plan, and risk management.

Questions a professional asks:

- Was the analysis quality?
- Did I follow the plan?
- Did I manage risk properly?
- Was I in optimal condition?

If the answers are "yes"—the trade was good, regardless of the outcome.

Probabilistic Thinking

The market is a system of probabilities, not certainties. Even the best setup doesn't guarantee profit.

The formula for success: (% winners × average win) > (% losers × average loss)

If this inequality holds—you make money over time, even if half your trades are losers.

Continuous Learning

A professional never stops learning. Markets change, new instruments appear.

Sources: Your own trades (the main teacher), books, communication with other traders, market history.

> **Important:** Learn from those who actually trade and show results. The internet is full of "gurus" who make money from courses, not

from trading.

Chapter 10. Practical Tips from 12 Years of Experience

> *This isn't theory from books—these are lessons paid for with real money. If even one tip helps you avoid stepping on a rake—this book was worth writing.*

1. Start small. The goal of your first year isn't to make money—it's to learn. Pay for your education with small amounts.

2. Only trade with a system. No "intuitive" entries. Signal present—enter. No signal—wait.

3. Risk management is sacred. Don't risk more than 1-2% per trade. Set daily and weekly limits.

4. Keep a trading journal. Record every trade. Analyze monthly.

5. Trade what you see. Don't try to predict the future. React to the chart.

6. Don't chase returns. Consistent 3-5% monthly is better than swings of 30%/-50%.

7. Protect yourself from yourself. Automatic stops, limits, checklists.

8. Rest. Trading is a marathon. Weekends without charts. Vacations without the terminal.

9. Don't compare yourself to others. On the internet, everyone only shows their successes. Your competitor is yesterday's you.

10. Be patient. Professional level is reached in 3-5 years of active practice.

> *Trading rewards the patient and disciplined. Those seeking easy money—it ruins.*

Conclusion

We've covered the trader's main enemies, emotional traps, principles of discipline and state management. We've discussed accepting losses, the psychology of big money, and common mistakes.

But knowledge is only the beginning. The real work starts when you close this book and open your trading terminal.

You will make mistakes. You will break rules. You will give in to emotions. **This is normal. This is part of the journey.** What matters isn't whether you fall. What matters is whether you get back up.

The market isn't going anywhere. Don't rush. Learn. Practice.

And one day you'll discover that you're trading calmly and profitably. Not because you found the Holy Grail—but because you conquered yourself.

I wish you successful trading and inner harmony!

Best regards,

Igor Arapov

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About the Author

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I've been actively trading in financial markets since 2013. My trading system is based on volume analysis, Wyckoff Method logic, and strict risk control.

Books in the Trading Fundamentals Series:

- Trading Fundamentals — Volume 1
- Trading Fundamentals — Volume 2
- Trading Psychology

Continue Learning:

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